

Reviews



DOI: 10.26354/bb.7A.4.85.2021

Magdalena Kozińska*
ORCID: 0000-0001-8767-6545
magdalena.kozinska@sgh.waw.pl

**Paweł Niedziółka, *Green (r)evolution in Polish banking*,
Difin, Warsaw 2020**

Paweł Niedziółka, professor at the Warsaw School of Economics, is the author of many scientific publications on the functioning of the financial market – from institutional and regulatory issues to practical aspects of trading in financial instruments. As a banking practitioner, he raises in his considerations the issues of current challenges that financial institutions have to face. Therefore, it is not surprising that in his latest book P. Niedziółka deals with current issues related to climate and environmental issues and their relationship with the financial sector, with particular emphasis on the experiences of Polish banking.

In recent years, the topic of sustainable green finance and the impact of climate and environmental factors has been one of the most discussed in financial circles in recent years. This is due to the increasingly tangible impact of global warming and the consequences of the intensive use of non-renewable natural resources on the functioning of economies and societies. Occurring more and more often extreme weather (climate) phenomena become a source of threat also for the financial system. They result not only from the operational risk materialization (e.g. flooding of branches of a financial institution as a result of floods), but also from the materialization of credit and market risk or an increase in insurance liability of financial institutions (these threats concern both insurance companies and other financial institutions that provide financing to entities affected by climate change or natural disasters). Nevertheless, the financial sector, as a provider of capital guaranteeing the implementation of various projects, is also a very good

* Magdalena Kozińska – Lecturer at Collegium of Socio-Economics, Warsaw School of Economics.

agent forcing the transformation of economies towards low-carbon ones, thus contributing to reduction of the negative effects of climate change. The area of climate issues is therefore, in two ways, of particular interest to financial institutions and is part of the trend of popularizing ESG issues (i.e. *environmental, social and corporate governance*) promoting socially responsible business activity (not only by the financial institutions). It should be emphasized that the above-mentioned issues have been in recent years the subject of growing interest not only of financial institutions, their clients and investors, but also of regulators and institutions supervising their activities. It is expected that not only financial institutions will operate in a sustainable manner, but also safety net institutions will take ESG issues into account in their activities (e.g. central banks in their monetary policy or regulators in assessing the risk level of individual financial institutions).

The above clearly indicates the need to develop scientific research on the relationship between climate change and the financial system, as well as the financial institutions impact on the real economy in order to reduce its destructive impact on the environment. Whereas, research in this area for many years has not been the subject of significant interest of scientists. This topic in Polish literature has not yet been fully elaborated, with few exceptions¹. For this reason, the book by P. Niedziółka belongs to a pioneering trend in national research on the interrelationships of the financial system and climate and environmental changes.

The reviewed monograph consists of 13 chapters, which can be divided into four thematic blocks including:

- 1) basic theories of economics on the exploitation of the Earth's natural resources (thus indicating the economic justification for the need to take measures to reduce the impact of economic activity on our planet) – chapter 1–2,
- 2) the most important initiatives and systems aimed at environmental and climate protection (showing the scale and scope of actions taken) – chapters 3–6,
- 3) the importance of climate and environmental issues for the financial system (by analysing the achievement of goals developed as part of international initiatives in the field of environmental protection presented in the earlier part of the book) – chapters 7–11,
- 4) conditions for the functioning of the green energy market and the participation of banks in Poland in it – chapters 12–13.

The first block briefly presents the achievements of the economics in terms of resource exhaustion and its consequences (including theories of Malthus, Smith, Ricardo, Solow, Kremer, and Kuznetz). Attention was paid to the theory of externalities (Pigou tax) and the concept of Nordhaus. The inventory of causes and effects of global warming is also discussed in detail. Such problem area delineation

¹ The only exception is the study by M. Ziolo, *Balanced Finances. Development. Risk.Market (Finanse zrównoważone. Rozwój. Ryzyko. Rynek)*, Polish Economic Publisher (Polskie Wydawnictwo Ekonomiczne), Warsaw 2020.

definitely makes it easier for the reader to understand the reasons for taking specific initiatives at the international level.

All the most important international agreements and agreements aimed at taking actions to protect the Earth were presented in the second block. On its basis, the reader can learn about the conclusions and decisions developed under the so-called U Thanta report and subsequent climate summits. The Stockholm declaration, the Rome Club report of 1972, the Rio de Janeiro Earth Summit in 1992 and subsequent Conferences of the Parties (COP), as well as the Kyoto Protocol and the Paris Agreement and their consequences for economic operators were mentioned here. The monograph also includes a summary of EU environmental initiatives (directives and regulations), including the currently key document, i.e. the *2030 Climate Target Plan*, which sets the direction and scale of actions taken in the EU to protect the natural environment.

From the stakeholders' of the financial system point of view, the content presented in the third block of chapters, which were *strictly* devoted to the impact of climate risk on the financial system, is of key importance, and vice versa. It is worth emphasizing that this part of the book organizes the key common areas between the financial system and climate risk, scattered in (mainly foreign) literature, including:

- types of risk related to the materialization of environmental and climate risk for the financial system,
- the importance of environmental and climate risk for financial institutions compared to other types of risk based on the results of the latest research,
- synthesizes the consequences of environmental and climate risk from the point of view of banks,
- potential approaches to considering environmental and climate risk in bank management (including ESG).

When analysing the potential impact of environmental and climate risk on the financial system, not only the aspect of a single institution, but also the systemic dimension was taken into account (the impact of environmental and climate risk on financial stability). The initiatives taken by central banks and supervisors, aimed at taking into account climate issues both in the operation of financial safety net institutions, and in the regulations they create, which are a direct incentive for the implementation of expected solutions by financial institutions, were accurately summarized.

After the characteristics of supervisory initiatives, there are also activities undertaken independently by financial institutions, aimed at supporting activities aimed at environmental protection presented (e.g. green banking, bank climate agreements or equatorial principles). In this respect, it is original to present the activities undertaken so far by individual banks in Poland.

What is worth emphasizing, particular emphasis in the author's considerations was placed on the credit policy relating to new projects in the area of renewable energy sources in Poland, in particular financing onshore wind energy and photovoltaics

using the *project finance method*. The last thematic block contains an in-depth analysis of the conditions for crediting green energy in Poland. It indicates both: possible forms of financing green energy in the *project finance formula* and their practical aspects (possible variants and terms of the transaction, accompanying procedural requirements and problem areas). The last block of the monograph is certainly an important source of knowledge and practical tips for people dealing or planning to take up professional financial transactions on the green energy market. It should be emphasized that the issues discussed in this part of the book constitute a skilful combination of theoretical knowledge, the applicable legal framework and the analysis of practice based on the author's own experience.

Summing up, it can be stated that the monograph by P. Niedziółka is a substantively and logically coherent whole, making it easier for the reader to understand the causes of environmental and climate risk, the genesis of currently undertaken actions aimed at reducing it, and also allows to get to know the specifics of the domestic green energy market and the transactions financing green projects on it.

Undoubtedly, the discussed monograph is worth recommending to a wide audience – from representatives of financial safety net institutions, through employees of various bank divisions and other financial institutions involved in the process of financing green energy, to students and supporters of issues related to climate risk.

The monograph of prof. Niedziółki, as one of the first in this respect on the Polish publishing market, should also inspire other representatives of the scientific world to continue and deepen research on the relationship between environmental and climate risk and the financial system.